

**IAESB
Technical Manager**

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**Regarding: IES Continuing Professional Development and Lifelong Learning
Due: March 8, 2011**

Comments By: Dr. Joseph S. Maresca CPA, CISA

Colleagues,

Thank you for the opportunity to critique this issuance. Details follow:

Background

The IAESB seeks member input concerning 3 main questions relative to Continuing Professional Development and Lifelong Learning. These are:

(1) Are the objectives for IES 7 appropriate?

Yes

(2) Are the criteria applied consistently?

Yes, as regards the competency issues and no as regards the effectiveness issues.

(3) Is further clarification needed?

Yes, as regards the effectiveness issues.

Critique

(1) There is general agreement as regards all 3 questions regarding the competency issues. The departure involves the effectiveness of the accountant once the competency issues have been addressed appropriately.

The effectiveness of the accountant hinges on the reporting relationship between the accountant and an Independent Audit Committee of the Board of Directors. Without an independent reporting relationship between the accountant, the Public Accounting firm, the internal financial auditors and the internal IT auditors to the Independent Audit Committee of the Board of Directors - the appearance of independence and independence itself is compromised.

Auditors cannot function independently while reporting to management and being subject to a management determination of the external or internal audit budget. Only an Independent Audit Committee of the Board of Directors can ascertain the budget for the external and internal auditors without conflicts of interest over the form and content of the audit report. Management cannot audit itself and shouldn't be able to do so by controlling the audit entities through the power and discretion of the budget.

(2) Contingency Planning and Disaster Recovery Planning are increasingly prominent in ensuring the ongoing continuity or even the existence of a business or major parts thereof. Major Acts of G-d like earthquakes, tsunamis, hurricanes and other calamities can render portions of a business or an entire business incapacitated overnight. The auditor's effectiveness is enhanced by having Contingency Planning and Disaster Recovery Planning addressed in management's strategic plan and the execution of such a plan in ongoing financial and IT operations.

(3) Derivatives are a continuing challenge for both the Courts and the effectiveness of the Accounting Profession itself. Although standards are evolving continuously, the Uniform Commercial Code would be a good place to define derivative transactions and the rights, duties, responsibilities and recourse of the various parties and counterparties to these increasingly complex transactions.

(4) Countries in a developmental stage pose unique challenges to the effectiveness of accountants due to a lack of uniform standards, consistency in the application of commercial law, contract provisions and unique language problems in articulating accounting and IT concepts. Failed states will pose an even greater challenge.

(5) New technologies will enhance operational effectiveness in the areas of artificial intelligence, advice giving systems, cloud computing and many others. Over time, the accountant must acclimate to these new technologies as they work their way into businesses and governmental entities both small and large.